PACIFIC WESTERN BANK®

Submitted via email: comments@fdic.gov;

Robert E. Feldman
Executive Secretary
Attention: Comments, Federal Deposit Insurance Corporation
550 17th St., NW
Washington, DC 20429

RE: Joint Notice of Proposed Rulemaking, Community Reinvestment Act Regulation
FDIC/OCC CRA Regulation RIN: 3064-AF22

Pacific Western Bank ("PWB" or "The Bank") is a state-chartered $26 billion commercial bank headquartered in California. The Bank's business strategy is focused on small to mid-sized businesses providing a variety of loan and deposit products to help our customers achieve their business expansion plans. The Bank's current assessment area includes sixteen counties in the states of California, Colorado and North Carolina. In addition, the Bank has loan production offices in various states. PWB advocates and supports the goals and objectives of the CRA and believes that financial institutions have an affirmative obligation to assist in meeting the credit needs of all its communities, including low- and moderate-income areas, consistent with safe and sound banking practices. With this in mind, and as regulatory agencies, banks, community groups and individuals work together to modernize the CRA, caution should be taken to ensure that changes will not cause a bank to alter its focus away from LMI communities in order to attain a specific metric to ensure a passing grade, reduce the opportunity to engage and report community development activities, or cause undue financial and administrative burdens on financial institutions.

Assessment Area definition

PWB is in favor of redefining the method to establish assessment area boundaries that would allow banks to receive credit for qualified activities benefiting communities surrounding branch locations as well as other areas where a bank collects deposits. However, we suggest that the regulation provide more clarity in this area. PWB recommends that the agencies consider activities such as the establishment of a new branch, or mergers and acquisitions in the rules for defining or adjusting a bank's assessment areas. The current proposal indicates that banks will only be permitted to adjust an assessment area's boundaries once during each evaluation period. Bank mergers, acquisitions and branch openings or closings may take place more frequently than once per exam cycle, requiring assessment areas to be adjusted accordingly. The Bank also recommends that the regulation clarify how often the deposit base should be evaluated and geocoded. Deposit base growth and expansion can be sporadic and subject to migration of deposit holders. PWB recommends that a deposit base be evaluated and geocoded once per exam cycle, unless there has been new branch or merger/acquisition activities, to ensure continuity and stability in a CRA program.

Additional Community Development Consideration
PWB proposes that certain indirect small business lending activities that support low- and moderate-income communities should receive consideration as Community Development activities. For example, banks should receive credit for providing small business loan referrals to CDFIs. Loans to start-up businesses located in LMI communities should be considered to have a community development purpose and receive favorable Community Development consideration.

Metric-based Framework for Examination
While a single metric may have the potential to provide predictability and transparency in managing a CRA program, we believe that proposing a single ratio metric would have negative consequences. Moreover, if the single ratio metric is included in the final rule, there should be a clarification of what is meant by a rating scale that includes "a significant portion of assessment areas, such as more than 50 percent . . . ". A metric-based framework may have the potential to drive banks towards fewer but larger projects that will easily meet the intended quantitative metric target but lack qualitative impact. Further, a metric-driven approach may have the potential of driving small business lending away from certain LMI and minority communities because financial institutions might focus on quantitative performance results and not on qualitative impact. Due to these concerns, PWB is not in favor of a single metric-based system. Nevertheless, should such a system remain in consideration, we believe that a metric-based approach should allow a bank to fulfil its CRA obligations based on a holistic approach that considers the institution's expertise, business model, community needs, and the extent of opportunities in its assessment areas.

Data Collection, Recordkeeping, and Reporting
Data collection and reporting is the backbone for evaluating any CRA program. Accurate data is crucial when evaluating a bank's status against its goals and peers. Accurate data is also vital in determining if a bank is meeting the credit needs of LMI, minority or underserved communities. The requirement to submit monthly reports on retail originations of small business, mortgage, and consumer loans will reduce a bank's ability to fully validate the accuracy of data prior to submitting. To ensure accurate reporting of monthly data, banks' CRA teams would need additional staff. In addition, consideration should be given to allow a 30 to 60 day delay in reporting for purposes of data validation. Incomplete or unverified data may reduce the reliability of reported activity, as well as adjustments to previously submitted data.

Data Collection and reporting of monthly balances for Community Development loans and investments will require a revision of how these qualified activities are maintained. Current Loan Servicing and Treasury Department systems will need to add or build fields to identify and categorize this data. Alternatively, third-party vendors could be identified to help manage the data. Either way, requiring monthly submission of retail lending and community development-qualified activities will increase the cost of managing a CRA program on an ongoing basis. It could also consume a bank's resources that would otherwise be devoted to providing community development support; the true purpose of the CRA. PWB recommends that the agencies consider an alternative method of collecting and reporting CRA-qualified activities.

Conclusion
We urge all three agencies (OCC, FDIC and the Federal Reserve) to coordinate efforts in developing a proposed rule that will address the need to modernize the CRA while considering all of the potential

impacts of such changes, both positive and negative, on communities and the banks that support them. It is important that all banks are treated consistently both within and across geographic and demographic markets, regardless of regulator, and it is critical that future efforts be done jointly. We understand that this is the Agencies' intention, and we hope that this will be borne out as it moves into the next stage of rulemaking.

Thank you for considering these comments.

Sincerely,

[redacted]

Stan Ivie
EVP, Chief Risk Officer